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Advisors reassess strategies in response to reciprocal tariffs
By Rob Burgess
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After the markets closed Wednesday, President Donald Trump took to the White House lawn to reveal the details of his long-promised "Liberation Day" reciprocal tariffs.

Though the president brandished a display chart showing columns for "tariffs charged to the U.S.A. including currency manipulation and trade barriers" and "U.S.A. discounted reciprocal tariffs" for listed countries (set at a minimum of 10%), further details on the tariffs were scant.

It didn't take long for markets to respond Thursday, heading for their worst day in years.

The sharp decline triggered plenty of calls from worried clients to advisors, who began analyzing the possible impacts of the new tariffs, with some staying the course for the time being and others already adjusting.

'Worse than markets expected'
Chris Diodato, founder of WELLth Financial Planning in Palm Beach Gardens, Florida, said Wednesday's announcement was "worse than markets expected," especially the 34% reciprocal tariff on China.

"I believe tariffs are bad for economic growth and are de facto a tax on consumption, much like a sales tax," he said. "I'm hoping that this is the last we hear about tariffs. I believe that more important than tariffs themselves is the uncertainty the back-and-forth surrounding policy is creating for businesses. If businesses continue to sit on their hands, not hire and not create new orders, that could potentially cause a big economic slowdown."

Diodato said clients from both sides of the aisle are upset by the economic news.

"A lot of my more right-leaning clients were hoping Trump would be more focused on border security and bringing down inflation rather than tariffs, which can be highly inflationary," he said.

Jeff Krumpelman, chief investment strategist and head of equities at Mariner Wealth Advisors in Cincinnati, Ohio, said the reciprocal tariffs are "close to worst case for the economy and for inflation impacts." His investment strategies are shifting as a result.

"We've already been trimming Magnificent Seven and growth stocks in general and buying countercyclicals, defense in energy and utilities, U.S. and European

health care and gold," he said. "Based on this, I will do more."

Jason DeLorenzo, owner and principal at Ad Deum Funds in Chantilly, Virginia, said the tariffs are levied diplomatically, not economically, meaning the basis of the tariff amounts are what other countries are charging us, not what would make it economically advantageous to domesticate manufacturing.

"Because of that, I think the short-term pain can be longer term than advertised," he said.

Advisors' strategic responses to the tariffs

Nick Davis, founder of Brindle & Bay Wealth Management in Frisco, Texas, said his firm is not adjusting portfolios in response to the current round of tariffs, nor did they during the last round — "and for good reason."

"We view them as short-term political posturing, not enduring economic realities," he said. "Tariffs may grab headlines, but they don't rewrite the rules of long-term investing. Great companies have always adapted to changing policy landscapes — including tariffs — and continued to innovate, grow earnings, and deliver value over time. Our clients' portfolios are built to reflect their lifetime goals, not fleeting news cycles. As we remind them: We don't invest based on today's headlines, because headlines don't compound — great businesses do."

Diodato said he will be especially interested to hear the speech Jerome Powell, chair of the Federal Reserve, is set to make Friday.

"The Fed blinked during the 2018 tariff panic and caused a huge stock market rally when they said they would be accommodative with monetary policy," he said. "Will they do this again?"

Thomas Van Spankeren, chief investment officer at RISE Investments in Chicago, said the reciprocal tariffs will require a more diversified, as opposed to concentrated, portfolio going forward.

"We continue to see opportunities in market segments such as dividend-paying equities," he said.

Terri Spath, founder and chief investment officer at Zuma Wealth in Malibu, California, said the goal of diversification is to reduce risk without seriously denting returns.

"Do this by adding investments that have low, no or negative correlation to the U.S. exceptionalism theme that dominated strategy calls at the start of the year," she said.

DeLorenzo said his firm had already hedged for downside because of the tariffs, but they have risk-controlled accounts instead of classic accounts, "so this drop helps with business."

"Our funds are insured by put options, so clients are pleased that they chose these funds instead of classic funds that try to alleviate risk through diversification or dispersion," he said.

Erin Hadary, partner at Montea Group in Denver, said Wednesday's announcement does not mean his firm will be changing portfolio allocations, given its aim to "follow a disciplined, long-term process in building diversified portfolios to meet various clients' needs and objectives."

Diodato said he will look for indications of a recession before risk-shifting portfolios.

"The labor market and lending markets, proxied by high-yield spreads, are still in good shape, so I'm holding pat for now," he said. "The longevity of these policies is uncertain. A different president, which we will have in 2028, could revoke any and all tariffs. Therefore, I believe current tariff fallout will most likely be a short-term phenomenon."

Simeon Wallis, chief investment officer and partner at Aprio Wealth Management in Atlanta, said while his firm was not making wholesale changes in response to any single policy move, Aprio has already aligned portfolios with many of the trends the tariffs accelerate — including reshoring, real asset investment, floating-rate credit and international diversification where fundamentals and valuations are compelling.

"We're helping clients see beyond the noise: Tariffs may create near-term friction, but also open opportunities in sectors tied to domestic infrastructure, global capital shifts and inflation-resilient cash flows — all of which we're already emphasizing in our investment themes," he said. "If you own strong, durable assets and stay focused on what matters — cash flow, valuation and resilience — you can turn noise into an advantage."

Correction
A previous version of the article misattributed a quote; the correct source is Nick Davis, not Dylan Love, of Brindle and Bay Wealth Management.
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